

Message Text

LIMITED OFFICIAL USE

PAGE 01 MEXICO 15994 212203Z
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
FRB-03 /103 W

----- 085402 /66

R 212125Z DEC 76
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 9315
INFO ALL U.S. CONSULATES IN MEXICO (POUCH)

LIMITED OFFICIAL USE MEXICO 15994

E.O. 11652: N/A
TAGS: ENRG, MX
SUBJECT: AMBASSADOR'S COURTESY CALL ON DIAZ SERRANO, DIRECTOR
OF PEMEX

1. SUMMARY. DURING COURTESY CALL DECEMBER 14, PEMEX'S NEW
DIRECTOR, JORGE DIAZ SERRANO, TOLD AMBASSADOR AND E/C COUN-
SELOR THAT PEMEX INTENDED TO DEVELOP EXPORTS DURING NEXT
SEXENNIAL TO LEVEL OF ONE MILLION BARRELS DAILY. THESE
EXPORTS WOULD COME ALMOST EXCLUSIVELY FROM OFFSHORE DEVELOP-
MENT IN THE GULF OF MEXICO, WITH ON-SHORE PRODUCTION BEING
USED FOR MEXICO'S DOMESTIC CONSUMPTION. THERE IS A POSSIBLE
ROLE FOR FOREIGN COMPANIES IN THIS OFFSHORE PRODUCTION, BUT
ONLY ON MEXICAN TERMS. END SUMMARY.

2. AS DIAZ SERRANO WILL OBVIOUSLY PLAY KEY ROLE IN MEXICAN
PETROLEUM, WASHINGTON AGENCIES MAY FIND USEFUL SUCH ADDITIONAL
BIO INFORMATION AS DIAZ SERRANO REVEALED, AND THE AMBASSADOR'S
PERSONAL IMPRESSIONS. ING. DIAZ SERRANO HAS SPENT CONSIDERABLE
TIME IN THE U.S.: 2 YEARS AT FRANKLIN, PA, WHERE HE WORKED
FOR FAIRBANKS MORSE DIESEL AND PRESUMABLY SEVERAL YEARS IN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 15994 212203Z

TEXAS WITH HIS DRILLING COMPANY. EXPLAINING THAT ASSOCIATION
WITH OILMEN HAD CAUSED HIM TO DRINK TOO MUCH, HE HAD GIVEN
IT UP TOTALLY. HE DOES NOT SMOKE. HE IS AN AFICIONADO OF
18TH CENTURY MEXICAN HISTORY AND MEXICAN ART, PARTICULARLY
SIQUEIROS. OWNING HIS OWN DRILLING COMPANY, DIAZ SERRANO IS
OBVIOUSLY AT HOME IN THE OIL FIELDS, AND PRESENTLY SPENDS

EVERY MONDAY IN MEXICO'S PRODUCING AREAS, PERSONALLY INSPECTING OPERATIONS AND RENEWING ACQUAINTANCES WITH PEMEX STAFF. HE APPEARS CULTIVATED, WELL DRESSED, COMPETENT, PLEASANT, AND LACKING ANY COMPLEXES VIS-A-VIS THE U.S. THOUGH DISCUSSIONS WERE IN SPANISH, HIS OCCASIONAL USE OF AN ENGLISH WORD INDICATED THAT HE IS PROBABLY COMPLETELY FLUENT IN ENGLISH.

3. SHOWING CONFIDENCE IN HIMSELF AND IN MEXICO, DIAZ SERRANO SAID THAT MEXICO OF TODAY IS NOT THE MEXICO OF THE TWENTIES, AND THAT MEXICO NEED NOT FEAR FOREIGN COMPANIES. IN RESPONSE TO THE AMBASSADOR'S INQUIRY ABOUT THE POSSIBILITIES FOR COLLABORATION BETWEEN MEXICO AND THE UNITED STATES, THE NEW PEMEX DIRECTOR GAVE A DETAILED REPLY: AT THE LOWER END OF THE SCALE, HE SAW THE USEFULNESS OF ACQUIRING TECHNOLOGY FROM WEST TEXAS--AS WELL AS IRAN--WHERE DRILLING INTO CARBONATE ROCK WAS SIMILAR TO THAT IN MEXICO. PEMEX WOULD CONCENTRATE ON SECONDARY RECOVERY AS THE FASTEST WAY TO INCREASE PRODUCTION. ADDITIONAL WELLS WOULD ALSO BE DRILLED. PEMEX NEEDS MONEY, TECHNOLOGY AND MACHINERY, BUT DIAZ SERRANO DREW A FIRM LINE AGAINST ANY DIRECT PARTICIPATION OF FOREIGN FIRMS--IT WOULD BE AGAINST MEXICAN LAW AND TRADITION. TECHNOLOGY WOULD BE RENTED OR BOUGHT.

4. DIAZ SERRANO SAID THAT MEXICO INTENDED TO LAY ALL ITS CARDS ON THE TABLE. AN ENERGY CONSULTING FIRM, DE GOLYER AND MAC NAUGHTON, WOULD BE ASKED TO COME IN AND CERTIFY THE EXTENT OF MEXICO'S RESERVES. ASSUMING THE RESERVES WERE AS LARGE AS NOW BELIEVED, THIS WOULD ESTABLISH PEMEX'S CREDIT POSITION. REAFFIRMING PEMEX'S INDEPENDENT POSITION, HE SAID HE WAS NOT AFRAID TO ASSOCIATE HIMSELF WITH "GOD OR THE DEVIL" IN ACCOMPANIED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MEXICO 15994 212203Z

LISHING MEXICO'S PRODUCTION GOALS. AS CONCERNS PRODUCTION, WHICH HAS OPERATED IN NORTH SEA, HAS SHOWN INTEREST IN BEING ORGANIZER OF PACKAGE DEAL TO DEVELOP MEXICAN OFFSHORE OIL. DIAZ SERRANO SHOWED SOME PREFERENCE FOR AN ALTERNATIVE PACKAGE TO BE PUT TOGETHER BY THE BANK OF AMERICA, WITH THE BANK GIVEN RIGHT OF FIRST REFUSAL ON MARKETING OIL TO PAY OFF LOANS INCURRED IN DEVELOPMENT OF PRODUCTION. DIAZ SERRANO MENTIONED POSSIBILITY OF ZAPATA IN CONJUNCTION WITH THE MONTERREY-BASED MEXICO FIRM OF LOBOS, TO DO SOME OF THE OFFSHORE EXPLORATORY AND DRILLING WORK. IN HIS VIEW, THE U.S. BANKS WOULD BE THE INSULATION BETWEEN PEMEX AND THE AMERICAN FIRMS ENGAGED IN DRILLING AND PRODUCTION, EVEN IF IN PARTNERSHIP WITH MEXICANS.

5. IN A BROADER DISCUSSION OF PETROLEUM MATTERS, DIAZ SERRANO DESCRIBED HIS VISITS TO VARIOUS OTHER OIL PRODUCING REGIONS. HE HAD FOUND THE TECHNOLOGY USED IN ROMANIA AND IN BAKU AS BACKWARD AND OF LITTLE INTEREST TO MEXICO. IRAN WAS OF INTEREST BECAUSE OF SIMILAR SOIL CONDITIONS. DIAZ SERRANO

SAID HE WAS SURE THAT IRAN WANTED HIGHER PRICES; HE NOTED, HOWEVER, THAT THE COST AT WHICH THE U.S. AND OTHERS COULD EFFECTIVELY PRODUCE SYNTHETIC OIL PUT A LIMIT ON PETROLEUM PRICES. HE RECALLED VISITING A DRILLING SITE IN THE POLAR REGIONS WHOSE HIGH COST OIL WAS NOW MARKETABLE.

6. DIAZ SERRANO SAID THAT TO BE REALISTIC IT WAS NECESSARY TO REALIZE THAT MEXICO WOULD NEVER PRODUCE MORE THAN ONE PERCENT OF THE WORLD'S SUPPLY. BY DEVELOPING OFFSHORE FIELDS IN THE GULF OF MEXICO, PEMEX HOPED TO EXPORT ONE MILLION BARRELS DAILY WITHIN THE SIX-YEAR TERM OF THIS ADMINISTRATION. HE PLANNED ON HAVING 10 OFFSHORE PLATFORMS WITH 12 WELLS COMING OFF EACH PLATFORM.
JOVA

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, AMBASSADORS, MEETINGS, TECHNOLOGICAL EXCHANGES, INTERGOVERNMENTAL COOPERATION, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO15994
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760468-1245
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761225/aaaaavbd.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by BoyleJA>; APPROVED <05 NOV 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AMBASSADOR'S COURTESY CALL ON DIAZ SERRANO, DIRECTOR OF PEMEX
TAGS: ENRG, MX, (JOVA, JOSEPH J), (DIAZ SERRANO, JORGE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006